



General Assembly

January Session, 2015

Committee Bill No. 6445

LCO No. 4396



Referred to Committee on FINANCE, REVENUE AND
BONDING

Introduced by:
(FIN)

***AN ACT CONCERNING A DEDUCTION FROM THE PERSONAL
INCOME TAX FOR STUDENT LOAN INTEREST.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes, as amended by section 50 of
3 public act 14-47, is repealed and the following is substituted in lieu
4 thereof (*Effective July 1, 2015, and applicable to taxable years commencing*
5 *on or after January 1, 2015*):

6 (B) There shall be subtracted therefrom (i) to the extent properly
7 includable in gross income for federal income tax purposes, any
8 income with respect to which taxation by any state is prohibited by
9 federal law, (ii) to the extent allowable under section 12-718, exempt
10 dividends paid by a regulated investment company, (iii) the amount of
11 any refund or credit for overpayment of income taxes imposed by this
12 state, or any other state of the United States or a political subdivision
13 thereof, or the District of Columbia, to the extent properly includable
14 in gross income for federal income tax purposes, (iv) to the extent
15 properly includable in gross income for federal income tax purposes

16 and not otherwise subtracted from federal adjusted gross income
17 pursuant to clause (x) of this subparagraph in computing Connecticut
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
19 extent any additional allowance for depreciation under Section 168(k)
20 of the Internal Revenue Code, as provided by Section 101 of the Job
21 Creation and Worker Assistance Act of 2002, for property placed in
22 service after December 31, 2001, but prior to September 10, 2004, was
23 added to federal adjusted gross income pursuant to subparagraph
24 (A)(ix) of this subdivision in computing Connecticut adjusted gross
25 income for a taxable year ending after December 31, 2001, twenty-five
26 per cent of such additional allowance for depreciation in each of the
27 four succeeding taxable years, (vi) to the extent properly includable in
28 gross income for federal income tax purposes, any interest income
29 from obligations issued by or on behalf of the state of Connecticut, any
30 political subdivision thereof, or public instrumentality, state or local
31 authority, district or similar public entity created under the laws of the
32 state of Connecticut, (vii) to the extent properly includable in
33 determining the net gain or loss from the sale or other disposition of
34 capital assets for federal income tax purposes, any gain from the sale
35 or exchange of obligations issued by or on behalf of the state of
36 Connecticut, any political subdivision thereof, or public
37 instrumentality, state or local authority, district or similar public entity
38 created under the laws of the state of Connecticut, in the income year
39 such gain was recognized, (viii) any interest on indebtedness incurred
40 or continued to purchase or carry obligations or securities the interest
41 on which is subject to tax under this chapter but exempt from federal
42 income tax, to the extent that such interest on indebtedness is not
43 deductible in determining federal adjusted gross income and is
44 attributable to a trade or business carried on by such individual, (ix)
45 ordinary and necessary expenses paid or incurred during the taxable
46 year for the production or collection of income which is subject to
47 taxation under this chapter but exempt from federal income tax, or the
48 management, conservation or maintenance of property held for the
49 production of such income, and the amortizable bond premium for the

50 taxable year on any bond the interest on which is subject to tax under
51 this chapter but exempt from federal income tax, to the extent that
52 such expenses and premiums are not deductible in determining federal
53 adjusted gross income and are attributable to a trade or business
54 carried on by such individual, (x) (I) for a person who files a return
55 under the federal income tax as an unmarried individual whose
56 federal adjusted gross income for such taxable year is less than fifty
57 thousand dollars, or as a married individual filing separately whose
58 federal adjusted gross income for such taxable year is less than fifty
59 thousand dollars, or for a husband and wife who file a return under
60 the federal income tax as married individuals filing jointly whose
61 federal adjusted gross income for such taxable year is less than sixty
62 thousand dollars or a person who files a return under the federal
63 income tax as a head of household whose federal adjusted gross
64 income for such taxable year is less than sixty thousand dollars, an
65 amount equal to the Social Security benefits includable for federal
66 income tax purposes; and (II) for a person who files a return under the
67 federal income tax as an unmarried individual whose federal adjusted
68 gross income for such taxable year is fifty thousand dollars or more, or
69 as a married individual filing separately whose federal adjusted gross
70 income for such taxable year is fifty thousand dollars or more, or for a
71 husband and wife who file a return under the federal income tax as
72 married individuals filing jointly whose federal adjusted gross income
73 from such taxable year is sixty thousand dollars or more or for a
74 person who files a return under the federal income tax as a head of
75 household whose federal adjusted gross income for such taxable year
76 is sixty thousand dollars or more, an amount equal to the difference
77 between the amount of Social Security benefits includable for federal
78 income tax purposes and the lesser of twenty-five per cent of the Social
79 Security benefits received during the taxable year, or twenty-five per
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue
81 Code, (xi) to the extent properly includable in gross income for federal
82 income tax purposes, any amount rebated to a taxpayer pursuant to
83 section 12-746, (xii) to the extent properly includable in the gross

84 income for federal income tax purposes of a designated beneficiary,
85 any distribution to such beneficiary from any qualified state tuition
86 program, as defined in Section 529(b) of the Internal Revenue Code,
87 established and maintained by this state or any official, agency or
88 instrumentality of the state, (xiii) to the extent allowable under section
89 12-701a, contributions to accounts established pursuant to any
90 qualified state tuition program, as defined in Section 529(b) of the
91 Internal Revenue Code, established and maintained by this state or
92 any official, agency or instrumentality of the state, (xiv) to the extent
93 properly includable in gross income for federal income tax purposes,
94 the amount of any Holocaust victims' settlement payment received in
95 the taxable year by a Holocaust victim, (xv) to the extent properly
96 includable in gross income for federal income tax purposes of an
97 account holder, as defined in section 31-51ww, interest earned on
98 funds deposited in the individual development account, as defined in
99 section 31-51ww, of such account holder, (xvi) to the extent properly
100 includable in the gross income for federal income tax purposes of a
101 designated beneficiary, as defined in section 3-123aa, interest,
102 dividends or capital gains earned on contributions to accounts
103 established for the designated beneficiary pursuant to the Connecticut
104 Homecare Option Program for the Elderly established by sections 3-
105 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in
106 gross income for federal income tax purposes, fifty per cent of the
107 income received from the United States government as retirement pay
108 for a retired member of (I) the Armed Forces of the United States, as
109 defined in Section 101 of Title 10 of the United States Code, or (II) the
110 National Guard, as defined in Section 101 of Title 10 of the United
111 States Code, (xviii) to the extent properly includable in gross income
112 for federal income tax purposes for the taxable year, any income from
113 the discharge of indebtedness in connection with any reacquisition,
114 after December 31, 2008, and before January 1, 2011, of an applicable
115 debt instrument or instruments, as those terms are defined in Section
116 108 of the Internal Revenue Code, as amended by Section 1231 of the
117 American Recovery and Reinvestment Act of 2009, to the extent any

118 such income was added to federal adjusted gross income pursuant to
119 subparagraph (A)(x) of this subdivision in computing Connecticut
120 adjusted gross income for a preceding taxable year, (xix) to the extent
121 not deductible in determining federal adjusted gross income, the
122 amount of any contribution to a manufacturing reinvestment account
123 established pursuant to section 32-9zz in the taxable year that such
124 contribution is made, [and] (xx) to the extent properly includable in
125 gross income for federal income tax purposes, for the taxable year
126 commencing January 1, 2015, ten per cent of the income received from
127 the state teachers' retirement system, for the taxable year commencing
128 January 1, 2016, twenty-five per cent of the income received from the
129 state teachers' retirement system, and for the taxable year commencing
130 January 1, 2017, and each taxable year thereafter, fifty per cent of the
131 income received from the state teachers' retirement system, and (xxi) to
132 the extent allowable under section 2 of this act, the amount of
133 payments made during the taxable year for interest on a student loan.

134 Sec. 2. (NEW) (*Effective July 1, 2015, and applicable to taxable years*
135 *commencing on or after January 1, 2015*) (a) For the purposes of this
136 section:

137 (1) "Qualified student loan" means a loan taken out solely to pay
138 qualified education expenses (A) for the taxpayer, the taxpayer's
139 spouse or a person who was a dependent of the taxpayer at the time
140 when the taxpayer took out the loan, (B) paid or incurred within a
141 reasonable period of time before or after the taxpayer took out the
142 loan, and (C) for education provided during an academic period for an
143 eligible student;

144 (2) "Qualified education expenses" means the total costs of attending
145 an eligible institution of higher education, including graduate school,
146 and includes amounts paid for the following items: (A) Tuition and
147 fees; (B) room and board, provided the cost of room and board
148 qualifies only to the extent that it is not more than the greater of (i) the
149 allowance for room and board, as determined by the eligible

150 institution of higher education, that was included in the cost of
 151 attendance for a particular academic period and living arrangement of
 152 the student, or (ii) the actual amount charged if the student is residing
 153 in housing owned or operated by the eligible institution of higher
 154 education; (C) books, supplies and equipment; and (D) other necessary
 155 expenses, including, but not limited to, transportation;

156 (3) "Eligible institution of higher education" means any institution of
 157 higher education that is eligible to participate in a student aid program
 158 administered by the United States Department of Education; and

159 (4) "Eligible student" means a student who is or was enrolled at least
 160 half-time in a certificate or degree program at an eligible institution of
 161 higher education.

162 (b) The maximum annual modification under subparagraph (B)(xxi)
 163 of subdivision (20) of subsection (a) of section 12-701 of the general
 164 statutes, as amended by this act, shall be equal to the amount of
 165 interest paid on a qualified student loan, but shall not exceed two
 166 thousand five hundred dollars for each taxpayer, provided (1) the
 167 taxpayer's filing status is any filing status except married filing
 168 separately, (2) no other person is claiming an exemption for the
 169 taxpayer on such other person's return, (3) the taxpayer is legally
 170 obligated to pay interest on a qualified student loan, (4) the taxpayer
 171 paid interest on a qualified student loan, and (5) the taxpayer's
 172 modified adjusted gross income is less than eighty thousand dollars or
 173 less than one hundred sixty thousand dollars for taxpayers filing a
 174 joint return.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)(B)

Sec. 2	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015</i>	New section
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Statement of Purpose:

To establish a deduction from the personal income tax for interest paid on student loans.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: REP. KLARIDES, 114th Dist.; REP. CANDELORA, 86th Dist.
REP. HOYDICK, 120th Dist.; REP. MINER, 66th Dist.
REP. O'NEILL, 69th Dist.; REP. FRITZ, 90th Dist.

H.B. 6445